

GENERAL COUNSEL'S REPORT

August 28, 2013

- D. Baptist Memorial Hospital for Women, Memphis (Shelby County), TN – CN1211-058A
Update on status of and changes in the project, and if needed modifications of the CON to include two (2) additional floors of shelled space to be used for physician offices with a projected cost increase of \$3,409,200:

This project was presented on February 27, 2013 for the construction of an Emergency Department dedicated for pediatric patients and the initiation of magnetic resonance imaging (MRI) services with an estimated project cost of \$14,105,241. Mr. Doolittle moved for approval, Ms. Jordan seconded, the motion carried approved by unanimous vote 8-0.

BUTLER | SNOW

July 31, 2013

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VIA HAND DELIVERY

Jim Christoffersen, Esq.
General Counsel
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard, 3rd Floor
Nashville, TN 37203

RE: Baptist Memorial Hospital for Women, CN1211-058

Dear Mr. Christoffersen:

The purpose of this letter to provide to the Agency information regarding developments related to the project referenced above, and to request confirmation that the actions described below will not require modification of the certificate of need.

The project referenced above is the for the construction of a pediatric emergency department and to initiate MRI services on the campus of Baptist Memorial Hospital for Women ("BMHW"). The project was approved by the Agency at its meeting on February 27, 2013, with a total project cost of \$14,105,241.

Subsequent to approval of the project, it became apparent to BMHW that design for the emergency department construction should be modified to include two additional floors of shelled space to be used for physician offices. The existing physician office building on the BMHW campus is close to 100% occupancy and additional physicians are planning to move to the campus. BMHW concluded that addition of two floors for physician offices as part of the current construction would be significantly advantageous as compared to adding the floors later, because a later addition would be more expensive and be disruptive to patient care in the areas beneath the addition.

The two additional shelled floors will have approximately 14,205 square feet per floor, or a total of 28,410 square feet. Projected cost to construct these two floor is \$3,409,200. Even though the current intent is use the space for physician offices, the construction will be compliant with hospital specifications in case it later becomes necessary to use part of the space for hospital functions.

Since the intent is to use the additional floors described above for physician office occupancy, we believe that no modification of the certificate of need is required. BMHW

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Nashville, TN 37201*

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Jim Christoffersen, Esq.
July 31, 2013
Page 2

understands if it should subsequently propose to use all or part of this space for hospital patient care it may be necessary to seek modification of the existing certificate of need or apply for an additional certificate of need, depending on the details relating to the proposed use. We would appreciate your confirming that our understanding is correct. In the alternative, if you believe that activity describe above requires Agency approval, we would appreciate your placing this matter on the agenda for the Agency's meeting scheduled for August 27, 2013.

Please let me know if you have any questions or need additional information. Thank you for your attention to this matter.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS &
CANNADA, PLLC

A handwritten signature in dark ink, appearing to be 'D. Elrod', written over a horizontal line.

Dan H. Elrod

clw
cc: Arthur Maples

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1211-058A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Baptist Memorial Hospital
350 N. Humphreys Blvd.
Memphis, TN 38120

For: Baptist Memorial Hospital for Women

This Certificate is issued for: The construction of an Emergency Department dedicated for pediatric patients and the initiation of Magnetic Resonance Imaging (MRI) services by relocating an existing MRI from Baptist Memorial Hospital that is being replaced by a wider bore unit.

On the premises located at: 6225 Humphreys Blvd.
Memphis (Shelby County), TN 38120

For an estimated project cost of: \$14,105,241.00

The Expiration Date for this Certificate of Need is

April 1, 2016

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: February 27, 2013


Chairman

Date Issued: March 27, 2013


Executive Director

GENERAL COUNSEL'S REPORT

August 28, 2013

- E. Johnson City Medical Center, Johnson City (Washington County), TN — CN1106-021A
Update on status of and changes in the project, and if needed modifications of the project.

This project was presented on September 28, 2011 for the renovation and expansion of the current radiation oncology department in the main campus building of Johnson City Medical Center ("JCMC") with an estimated project cost of \$14,999,924. Mr. Johnson moved for approval, Mr. Southwick seconded, the motion carried approved by unanimous vote 10-0.

July 26, 2013

2013 JUL 26 AM 10 26

VIA HAND DELIVERY

Jim Christoffersen, Esq.
General Counsel
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard, 3rd Floor
Nashville, TN 37203

RE: Johnson City Medical Center, CN1106-021
Renovation and Expansion of Radiation Oncology

Dear Mr. Christoffersen:

This letter is submitted pursuant to our recent meeting regarding the project referenced above.

Background

The certificate of need in question was approved September 28, 2011, and involves renovation and expansion of the existing radiation oncology department at Johnson City Medical Center ("JCMC"), with a total project cost is \$14,999,924. In addition to construction and renovation, the project involves the relocation of two linear accelerators to new vaults in the expansion part of the project. Relocation of the linear accelerators will result in replacement of one of the existing linear accelerators.

Current Status

The construction of the expansion area, including new vaults, will be completed by the end of August at a total cost of approximately \$7 million. Because of the equipment ordering process and the work involved in installing the linear accelerators, it will likely be several months before the linear accelerators are installed and use of the expansion space for actual patient treatment will begin. The certificate of need expires November 1, 2014, and the linear accelerator installation and completion of the project should occur before this date.

Issue

The project is on track and is expected to be completed before the certificate of need expiration date. However, there is a sequencing question on which seek guidance from the

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Jim Christoffersen, Esq.

July 26, 2013

Page 2

Agency. The component of the project that involves renovation can begin as soon as the new construction is completed (end of August). However, the renovation part of the project would be greatly facilitated if some of the functions now in the area to be renovated (e.g., patient ingress and egress and patient waiting for radiation therapy patients) could be shifted to the expansion area. The proposed uses of the expansion area are entirely consistent with what is contemplated by the certificate of need, but use of the expansion area as described will require inspection and approval of Health Care Facilities before linear accelerators are installed, i.e., before the project is completed in its entirety. Thus, use of the expansion area as proposed will likely result in two inspections by Health Care Facilities: one inspection when initial use is undertaken and a second inspection upon installation of the linear accelerators and final project completion.

We would appreciate confirmation that the interim use of the expansion area as described above is permissible under the certificate of need. To the extent that guidance from the Agency itself is required, we request that this item be placed on the agenda for the Agency's meeting in August.

Thank you for your attention to this matter, and please let me know if you have any questions or need additional information.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS &
CANNADA, PLLC



Dan H. Elrod

clw

cc: Allison Rogers
Bo Wilkes

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1106-021A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Mountain States Health Alliance
303 Med Tech Parkway, Suite 330
Johnson City, TN 37604

For: Johnson City Medical Center

This Certificate is issued for: The renovation and expansion of the current radiation oncology department in the main campus building of Johnson City Medical Center ("JCMC"). No new services will be initiated and no major medical equipment will be purchased. There will be no change in the hospital bed complement.

On the premises located at: 400 North State of Franklin Road
Johnson City (Washington County), TN 37604


For an estimated project cost of: \$14,999,924.00

The Expiration Date for this Certificate of Need is

November 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: September 28, 2011


Chairman

Date Issued: October 26, 2011


Executive Director

SunTrust Plaza
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Nashville, TN 37219
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August 22, 2013

James B. Christoffersen
General Counsel
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Jerry W. Taylor
(615) 782-2228
(615) 742-0703 FAX
jerry.taylor@stites.com

RE: Rosewood Manor
CN0703-021A

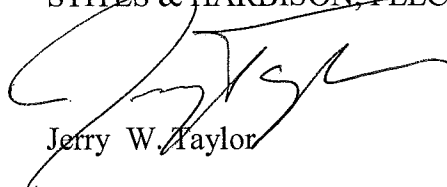
Dear Jim:

I recently submitted a letter seeking an extension of the CON on the above matter, and it is scheduled to be considered at the August meeting. In the letter I stated there was "no opposition" to the original CON. I just discovered the more accurate statement is "there was no opposition to the project as approved." The record reflects there was originally opposition filed by two facilities, but both subsequently sent in letters indicating they had no opposition if no more than 12 new beds were approved. Ultimately only the relocation and replacement facility, with no new beds, was approved and no opposition was voiced to that decision.

I apologize for my inaccurate use of words; please be assured there was no intent to mislead the members or the staff. I appreciate your assistance, and hope this has not caused any inconvenience to your, the staff or the members.

Sincerely yours,

STITES & HARBISON, PLLC



Jerry W. Taylor

STITES & HARBISON PLLC
ATTORNEYS

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August 23, 2013

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Frost Building, 3rd Floor
161 Rosa L. Parks Boulevard
Nashville, TN 37243

Jerry W. Taylor
(615) 782-2228
(615) 742-0703 FAX
jerry.taylor@stites.com

RE: Rosewood Manor
CN0703-021A


Dear Ms. Hill:

Submitted herewith is a copy of a letter of support from HCA in regard to the request for extension for Rosewood Manor. This matter is on the Agenda for the August 28 meeting. I understand the original is being mailed to you, but since the letter lacks a project number, I wanted to send this to make sure it is put in the correct folder.

Please let me know if you have any questions. Thank you for your assistance.

Sincerely yours,

STITES & HARBISON, PLLC


Jerry W. Taylor

HCA

Hospital Corporation of America

AUG 23 '13 AM 9:57

One Park Plaza
Nashville, TN
37203

8/22/2013

Melanie Hill
Health Services and Development Agency
161 Rosa Parks Blvd.
Nashville TN 37243

Dear Melanie:

HCA owns property located off Reserve Blvd and Kedron Rd in Spring Hill. HCA constructed a portion of Reserve Blvd in 2008 that is planned to be dedicated to the city, and the road will eventually connect to Port Royal along the property line of neighboring property owners, including Tennessee Health Management.

We have been working with Tennessee Health Management, the City and other neighboring property owners in an effort to construct and develop the Reserve Blvd extension to Port Royal, and we are making positive progress toward that end.

Best Regards,



Ron Woods
HCA Corporate Real Estate

GENERAL COUNSEL'S REPORT

August 28, 2013

B. Rosewood Manor, Spring Hill (Maury County), TN — CN0703-021A

Request for a twenty-four (24) month extension of the expiration date from September 1, 2013 to September 1, 2015:

This project was presented on July 25, 2007 for the replacement and relocation of the existing nursing home from Columbia to Spring Hill, and the addition of thirty (30) Medicare certified skilled nursing beds for an increase in licensed beds from sixty-eight (68) beds to ninety-eight (98) SNF beds with an estimated project cost of \$10,668,976. NHC opposed the additional 30 beds and noted that the opposition would be withdrawn if the additional beds were limited to twelve (12) or less. Two motions were made: Mr. Atchley moved for approval with the condition by NHC, Mr. Jones seconded, the motion failed 4-4; Mr. Lammert moved for approval with no bed increase, Ms. Weaver seconded, motion carried by unanimous vote 8-0.

The applicant provided the following justifications:

1st extension request: July 22, 2009--Site work had started but was not complete because the project was adjacent to Spring Hill Hospital which was under appeal. Two motions were made: Ms. Weaver moved for denial, Dr. Handorf seconded, the motion failed 2-6; Mr. Lammert moved for approval, Mr. Atchley seconded, motion carried by a 6-2 vote. The original expiration date of September 1, 2009 was extended to September 1, 2011.

2nd extension request: July 27, 2011--The downturn in the economy and the crisis in the banking industry had resulted in constraints in the financial markets which led AHC, parent company of Rosewood Manor, to refinance its 100 million dollar portfolio. The project had also been delayed due to the appeal of the approval of Spring Hill Hospital which had since been overturned. Site work and infrastructure improvements could now be coordinated with Tri-Star Health System since the approval of Centennial Medical Center Satellite Emergency Department on the same site where Spring Hill Hospital was to be located. Mr. Lammert moved for approval of the request, Mr. Wright seconded, motion carried by unanimous vote 7-0. The expiration date was extended from September 1, 2011 to September 1, 2013.

3rd request: The applicant's letter and supporting documentation are attached.

STITES & HARBISON^{PLLC}

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July 31, 2013

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Nashville, TN 37243

Jerry W. Taylor
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RE: Rosewood Manor
CN0703-021A

Dear Ms. Hill:

This is to request a 24 month extension of the expiration date for the above referenced certificate of need, from its current expiration date of September 1, 2013 to September 1, 2015. The CON authorizes a replacement facility for the 68 bed nursing home and its relocation from Columbia to Spring Hill. No additional beds are involved. There was no opposition to the project. Rosewood Manor ceased operations in 2010 and its license is on inactive status.

As the record reflects, this project has been long delayed due to circumstances beyond the control of the owner. The site for the replacement facility is just beyond and across from the tract of land that was, at the time the Rosewood CON was granted, approved for the proposed Spring Hill Hospital. When Spring Hill Hospital lost its CON in an appeal, HCA's plan to construct a road across the entire area, which would have given access to the Rosewood site, was put on indefinite hold. HCA did complete the road up to the site where the Tri Star Centennial Emergency Department at Spring Hill is located, but the Rosewood site is beyond that point and is still inaccessible to commercial traffic. A site plan drawing for the proposed new road extension is attached as Attachment 1.

Over the past several years, the owners of Rosewood, together with all other land owners in the immediate area of the site, have been working on a strategy to accomplish having the road completed with cost sharing among the various land owners. With a backdrop of several different land owners and city administrations and officials involved in the strategy, a difficult economic downturn, and the necessity of HCA gaining CON approval for, and then constructing, the Tri Star Centennial Emergency Department at Spring Hill, the development of the road has been a slow process.

Recently, however, significant progress has been made in bringing the road to fruition. All the various landowners, including the Rosewood owner and HCA among others, have reached agreement on a plan to develop the road. The group has hired a civil engineering firm,

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Melanie M. Hill
July 31, 2013
Page 2

Stanford and Associates, and a complete set of engineering plans for the road have been completed. Most importantly, the City of Spring Hill has approved the road plan and has budgeted significant funds for its contribution to the road project. Required plans and permit applications have also been submitted to the multiple involved agencies of the State of Tennessee. A status report from Stanford and Associates is attached as Attachment 2. We expect to have additional progress to report by the time this request is considered by the Agency.


The Rosewood project is still very much needed. There are currently no nursing facility beds located in Spring Hill, which is one of the fastest growing areas in Middle Tennessee. And this site remains an ideal location. With the Tri Star Centennial Emergency Department at Spring Hill operational, the residents of the new Rosewood Manor will have almost immediate access to urgent and emergency care if needed. In addition, the Tri Star includes approximately 35,000 square feet of medical office building space. The MOB will be occupied in large part by physicians and other health care practitioners, again providing easy and convenient access to medical care as needed by residents of Rosewood Manor. Rosewood's site is just off Saturn Parkway, providing easy access to Rosewood for family members.

The owner of Rosewood remains optimistic that eventually the road will become a reality, but the timing is still unclear. Under these circumstances, we respectfully ask for the Agency's continued patience and understanding, and a 24 month extension on the CON. Frankly the 24 month time period is a best guess, but we believe that is the minimum amount of time needed in light of the fact it would appear the road will have to be near completion before construction on the Rosewood replacement facility can begin.

Please place this on the agenda for the August 2013 meeting. Representatives of Rosewood will be present to respond to questions and provide additional information if needed. Please let me know if you have any questions or if additional information is needed in the meantime. It is my understanding Rosewood has already paid the maximum filing fee, and no extension fee is necessary. Thank you for your assistance and consideration.

Sincerely yours,

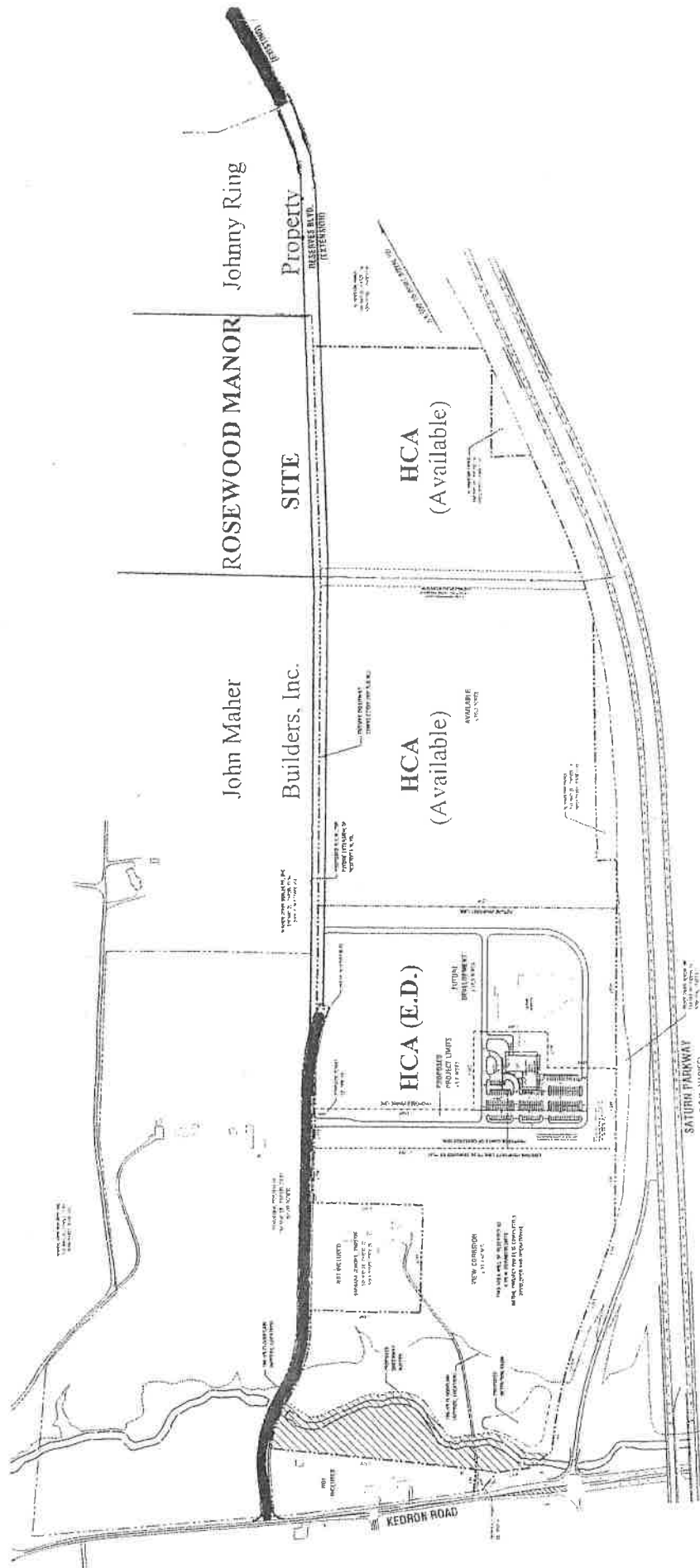
STITES & HARBISON, PLLC



Jerry W. Taylor

RESERVES BOULEVARD EXTENSION

Spring Hill, Tennessee



STANFORD & ASSOCIATES, INC.
410 McLemore Avenue . Spring Hill, Tennessee 37174 . Phone 931.486.2441

Consulting Engineering . Land Surveying . Land Planning . Since 1971

July 18, 2013

Randy Aydelotte
John Maher Builders, Inc.
1109 Old Kedron Road
Spring Hill, TN 37174

RE: Reserve Boulevard Design & Submittals

Randy,

This letter will update you on the progress of Approval, Engineering and Surveying of Reserve Boulevard Design and Submittal.

The Current Status is as follows:

- The Final Plat for the project has been approved by the City of Spring Hill, Planning Commission.
- (b) The Preliminary Plat along with Construction Drawings have been approved by the City of Spring Hill Planning Commission, City Engineer and Public Works Staff.
- (c) Sewer Collector Lines Design and Water Distribution Design plans were submitted to the State of Tennessee department of TDWQ & TDWP for approval in early July. We expect receipt of approved plans in early August.
- (d) NOI, SWPPP and ARAP submittal and application for permit have been completed by Jean Matthews with Water Quality & Erosion Control of Tennessee (WQ&EC TN). These documents and/or forms are in need signature of each owner and/or participant. Once signatures are complete WQ&EC, TN will submit to TDEC for approval. Expect thirty 30 days for approval after signatures are on documents.
- (e) Nine (9) Full Sets of plans were delivered to Randy Aydelotte with JMB today.
- (f) Once we receive approval of Sewer Plans and Water Plans and the NOC and TNR Number we are prepared for Pre-Construction meeting with City Public Works. A Project Manager, Contractor, Engineer and owners (Optional) will need to attend the Pre-Con meeting.
- A grading permit can be obtained immediately after Pre-Con meeting.

If you have any question you may reach me at 615-598-3580. Thank you for the opportunity to provide Civil Engineering services for this project.

Sincerely,

Leon Stanford

Leon Stanford, PE/RLS

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. CN0703-021AE is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Rosewood Manor, Inc.
PO Box 10
Paris, TN 38363

For: Rosewood Manor

This Certificate is issued for: The replacement and relocation of the existing sixty-eight (68) bed nursing home. Rosewood Manor is currently located at 1400 Rosewood Drive, Columbia (Maury County), TN and the proposed location is an undeveloped, unaddressed 16.6 acre tract of land located north of Saturn Parkway, between Old Kedron Road and Port Royal Road, adjacent to the Spring Hill Hospital site, in Spring Hill (Maury County), TN.

* This Certificate is a replacement of the originally issued Certificate of Need pursuant to Agency Rule 0720-10-.06 -- Expiration, Revocation, and Modification of issued Certificates. This project was originally approved on July 25, 2007. Extension of expiration date for two (2) year from September 1, 2009 to September 1, 2011 was granted at the July 22, 2009 Health Services and Development Agency Meeting. Extension of expiration date for an additional two (2) years from September 1, 2011 to September 1, 2013 was granted on July 27, 2011.

On the premises located at: unaddressed site between Old Kedron Rd & Port Royal Road
Spring Hill (Maury County), TN 37174

For an estimated project cost of: \$10,668,976.00

The Expiration Date for this Certificate of Need is


* September 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: July 27, 2011


Chairman

Date Issued: September 28, 2011


Executive Director

GENERAL COUNSEL'S REPORT

August 28, 2013

- C. University of Tennessee Medical Center, Knoxville (Knox County), TN — CN1005-022A Request for an eighteen (18) month extension of the expiration date from October 1, 2013 to April 1, 2015:

This project was presented on August 25, 2010 for the construction of an addition to the existing surgery department to house thirteen (13) new operating rooms (ORs) and renovation of three (3) small ORs for a net addition of ten (10) ORs and one (1) endovascular suite with an estimated project cost of \$18,432,272. Ms. Burns moved for approval, Mr. Lammert seconded, the carried approved by unanimous vote 10-0.

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July 31, 2013

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Executive Director
Tennessee Health Services and Development Agency
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Nashville, TN 37243

Jerry W. Taylor
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RE: University of Tennessee Medical Center
CN1005-022A

Dear Ms. Hill:

The University of Tennessee Medical Center respectfully requests an 18 month extension on the above referenced certificate of need, from the current expiration date of October 1, 2013 to April 1, 2015. This is the first request for an extension for this project.

The certificate of need authorizes the construction of an addition to the surgical department consisting of approximately 28,000 square feet, and the renovation of approximately 12,000 square feet of existing space. The project will result in the addition of 10 new operating rooms and a new endoscopic suite.

Substantial progress has been made on this project. The new construction has been completed and is operational, and the extension request relates to the renovation phase of the project. Approximately 1,721 of the renovation work is also complete. So in total, the project is approximately 74% completed.

The justification for the extension is as follows. Upon completion of the new construction and prior to beginning the renovation stage, hospital administration determined it would be advantageous to apply "lean principles" to the design of this area. "Lean principals" are techniques developed by Toyota and others to enhance efficiencies in the work place or service environment. UTMC has used these techniques in other areas of the hospital, resulting in reduced waiting times, reduced errors, a decrease in patient falls and other enhancements in the delivery of health care services. In this case the lean team moved the decontamination area closer to the non-sanitary elevator to minimize steps by the staff and to minimize cross contamination possibilities. The staging of carts in and out of the process was also analyzed to utilize the space more effectively. This area could not be constructed until construction was completed in the main O. R. area, which freed up space for expansion of the sterile processing area. It took several months to analyze the processes in this area and lean them out, and then

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Melanie M. Hill
July 31, 2013
Page 2

several months to redesign the space. The construction process is now more difficult and therefore longer than originally planned.

Some cost overrun is anticipated, but it should be well below the 10% threshold, and therefore a cost increase is not requested at this time. Although the changes described above will slightly increase the cost and required time on the front end, they will pay off in the long term with a more efficient and effective surgical department at UTMC.

Please place this request on the agenda for the August 2013 HSDA meeting. Representatives from UTMC will be present at the time. A check in the amount of \$3,621.00 representing the extension fee is submitted herewith. The amount of this fee is capped out by the \$45,000 maximum filing fee. Thank you for your assistance and consideration.

Sincerely yours,

STITES & HARBISON, PLLC



Jerry W. Taylor

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1005-022A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: University Health System, Inc.
1924 Alcoa Highway
Knoxville, TN 37920

For: University of Tennessee Medical Center

This Certificate is issued for: The construction of an addition to the existing surgery facilities consisting of approximately 28,000 square feet of space to house thirteen (13) new operating rooms. The project also includes the renovation of approximately 12,000 square feet of existing space in the surgical facilities and a new endovascular suite in space currently housing three (3) small operating rooms and a storage space. This will result in a net addition of ten (10) operating rooms and one (1) endovascular suite. Major medical equipment to be acquired is a new endovascular lab and related equipment. The expansion project will be on the main campus. No new services will be initiated and no current services will be discontinued. This project does not involve any inpatient beds.

On the premises located at: 1924 Alcoa Highway
Knoxville (Knox County), TN 37920

For an estimated project cost of: \$18,432,272.00

The Expiration Date for this Certificate of Need is

October 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: August 25, 2010


Chairman

Date Issued: September 22, 2010


Executive Director

GENERAL COUNSEL'S REPORT

August 28, 2013

F. Southern Sports Surgery Center, Hendersonville (Sumner County), TN — CN1204-019A

Southern Sports Surgery Center seeks Agency approval for a change of ownership/control pursuant to T. C. A. § 68-11-1620, which requires Agency approval for an unimplemented project. In the case of a limited liability company or limited liability partnership, a change in the composition of members or partners to the extent that the management or membership control is different than that described in the certificate of need application. Drs. Gautsch and Grutter (currently 50% owners, each) wish to sell 38% to SurgCenter Development. Per the approved application, they may eventually sell other ownership interests to other physicians (no more than 13.04%).

This project was approved by a 7-3 vote by the Agency on September 26, 2012. Dr. Haik moved for approval, and Mr. Wright seconded. Jordan, Wright, Doolittle, Weaver, Haik, Byrd and Johnson voted aye; and Mills, Burns and Gaither voted nay.

CN1204-019A authorizes Southern Sports Surgery Center to relocate an approved but unimplemented CON for the establishment of an ASTC from 1163 Nashville Pike, Gallatin (Sumner Co.) to 127 Saundersville Road, Suite A, Hendersonville (Sumner Co.). It also expands the designated use of the ASTC to multi-specialty services. The approved project cost is \$3,355,533.00. The expiration date was extended to May 30, 2015 by operation of law, due to the length of the contested case appeal filed by Hendersonville Medical Center; which appeal was voluntarily dismissed.

The approved but unimplemented CON for the establishment of an ASTC for the establishment of a single-specialty ASTC dedicated to orthopedic surgery and musculoskeletal care at 1163 Nashville Pike, Gallatin (Sumner Co.), CN1104-013A, had been approved unanimously on August 24, 2011.

BUTLER | SNOW

July 30, 2013

VIA HAND DELIVERY

Jim Christoffersen, Esq.
General Counsel
Tennessee Health Services and Development Agency
161 Rosa L. Parks Boulevard, 3rd Floor
Nashville, TN 37203

RE: Southern Sports Medicine Surgery Center, CN1204-019

Dear Mr. Christoffersen:

This letter is submitted to request, to the extent required, approval by the Health Services and Development Agency ("Agency") of restructure of the ownership of the unimplemented project referenced above.

Background

The certificate of need ("CON") referenced above was approved on September 26, 2012, for establishment of an ambulatory surgical treatment center ("ASTC") in Hendersonville, TN. The applicant and holder of the CON is Southern Sports Surgical, LLC ("SSS"). The ownership of SSS is held 50% by Dr. Thomas Gautsch and 50% by Dr. Paul Grutter. The CON application indicated the intention of Drs. Gautsch and Grutter to permit future investment by other surgeons.

New Ownership Structure

Drs. Gautsch and Grutter have determined that development and efficient operation of the ASTC will be facilitated by the involvement of an experienced ASTC developer and operator. They propose to sell 38.04% of SSS to SurgCenter Development ("SCD"), a highly-experienced developer and operator of ASTCs throughout the country. The remaining ownership interests in the facility will be held by Drs. Gautsch and Grutter and other physicians, but no physician owner will hold more than 13.04% ownership interest.

Issue

It is not clear that the ownership changes described above will result in a change of control, as defined in T.C.A. Section 68-11-1620(b). While Drs. Gautsch and Grutter will

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Jim Christoffersen, Esq.
July 30, 2013
Page 2

collectively divest themselves of more than 50% ownership, no other party will own as much as 50% and thus be in control of SSS. Because of the uncertainty as to whether a change of control will occur for purposes of § 68-11-1620, we request that the Agency approve ownership structure of SSS in which SCD will be the single largest owner at 38.04%.

Since SCD will be the single largest owner of SSS, we are attaching additional information regarding the company. Attachment 1 is a list of ASTCs in which SCD is currently involved and a map of these locations. Attachment 2 is the balance sheet and income statement for SCD as of December 31, 2012.

We would appreciate your including this item on the agenda for the Agency's meeting in August. Please let me know if you have any questions or need additional information.

Very truly yours,

BUTLER, SNOW, O'MARA, STEVENS &
CANNADA, PLLC



Dan H. Elrod

clw

cc: Dr. Thomas Gautsch
Dr. Paul Grutter

Attachment 1

SURGCENTER DEVELOPMENT

Development Projects

Arizona

The Surgery Center of Casa Grande
Casa Grande, AZ

SurgCenter Chandler
Gilbert, AZ

SurgCenter of Deer Valley
Phoenix, AZ

SurgCenter at Paradise Valley
Scottsdale, AZ

SurgCenter Tucson
Tucson, AZ

Arkansas

Tri State Advanced Surgery Center
Marion, AR

California

Oak Park Surgery Center
Arroyo Grande, CA

Southwest Surgical Center
Bakersfield, CA

Advanced Surgery Center of Beverly Hills
Beverly Hills, CA

Chico Surgery Center
Chico, CA

Delano Surgery Center
Delano, CA

Golden Empire Surgery Center
Delano, CA

Herndon Surgery Center
Fresno, CA

North Point Surgery Center
Fresno, CA

Prairie Avenue Surgery Center
Inglewood, CA

Palmdale Lancaster Surgery Center
Lancaster, CA

Porterville Surgical Center
Porterville, CA

Court Street Surgery Center
Redding, CA

Roseville Surgery Center
Roseville, CA

Tehachapi Surgery Center
Tehachapi, CA

Pacific Surgery Center of Ventura
Ventura, CA

Westlake Surgical Center
Westlake Village, CA

Colorado

SurgCenter of the Rockies
Castle Rock, CO

Kissing Camels Surgery Center
Colorado Springs, CO

Cherry Creek Surgery Center
Denver, CO

Hampden Surgery Center
Denver, CO

SurgCenter on Dry Creek
Denver, CO

Florida

Lake Mary Surgery Center
Lake Mary, FL

SurgCenter Pinellas
Largo, FL

Park Place Surgery Center
Maitland, FL

Longleaf Surgery Center
New Port Richey, FL

Marion Surgery Center
Ocala, FL

SurgCenter of Orange Park
Orange Park, FL

Advanced Surgery Center of Orlando
Orlando, FL

Millenia Surgery Center
Orlando, FL

SurgCenter of Palm Beach Gardens
Palm Beach Gardens, FL

Advanced Surgery Center of Sarasota
Sarasota, FL

SurgCenter NorthEast
St. Petersburg, FL

Idaho

Pleasant View Surgery Center
Post Falls, ID

Illinois

Physicians' Surgical Center
Belleville, IL

Effingham Surgery Center
Effingham, IL

Indiana

Indiana Specialty Surgery Center
Bloomington, IN

Carmel Specialty Surgery Center
Carmel, IN

Columbus Specialty Surgery Center
Columbus, IN

South Bend Specialty Surgery Center
Granger, IN

Midwest Specialty Surgery Center
Indianapolis, IN

Sycamore Springs Surgery Center
Indianapolis, IN

Advanced Regional Surgery Center
Jeffersonville, IN

Metro Specialty Surgery Center
Jeffersonville, IN

Northwest Regional Surgery Center
Merrillville, IN

Munster Specialty Surgery Center
Munster, IN

Riverview Surgery Center
Rockport, IN

Kansas

Surgery Center of Leawood
Leawood, KS

Surgery Center of Olathe
Olathe, KS

Physicians' Surgery Center
Prairie Village, KS

Precision Surgery Center
Wichita, KS

Louisiana

Advanced Surgical Care of Baton Rouge
Baton Rouge, LA

Pontchartrain Surgery Center
Covington, LA

West Bank Surgery Center
Harvey, LA

Advanced Surgery Center of Metairie
Metairie, LA

Advanced Surgery Center of Northern Louisiana
Monroe, LA

Red River Surgery Center
Shreveport, LA

Maryland

Riva Road Surgical Center
Annapolis, MD

SurgCenter of Bel Air
Bel Air, MD

Advanced Surgery Center of Bethesda
Bethesda, MD

Bethesda Chevy Chase Surgery Center
Bethesda, MD

SurgCenter of Southern Maryland
Clinton, MD

SurgCenter of Western Maryland
Cumberland, MD

Upper Bay Surgery Center
Elkton, MD

SurgCenter of Glen Burnie
Glen Burnie, MD

SurgCenter of Greenbelt
Greenbelt, MD

Hagerstown Surgery Center
Hagerstown, MD

Leonardtown Surgery Center
Leonardtown, MD

Maryland Specialty Surgery Center
Linthicum, MD

Maple Lawn Surgery Center
Maple Lawn, MD

SurgCenter at National Harbor
National Harbor, MD

Piccard Surgery Center
Rockville, MD

Deer Pointe Surgical Center
Salisbury, MD

SurgCenter of Silver Spring
Silver Spring, MD

Timonium Surgery Center
Timonium, MD

Westminster Surgery Center
Westminster, MD

SurgCenter of White Marsh
White Marsh, MD

Windsor Mill Surgery Center
Windsor Mill, MD

Minnesota

Greenway Surgery Center
Minneapolis, MN

Missouri

The Surgical Center of St. Louis
Bridgeton, MO

Chesterfield Surgery Center
Chesterfield, MO

Boone Surgery Center
Columbia, MO

Advanced Surgical Care
Creve Coeur, MO

Manchester Surgery Center
Des Peres, MO

Twin Cities Surgery Center
Festus, MO

Riverside Surgery Center
Florissant, MO

Frontenac Surgery & Spine Care Center
Frontenac, MO

Independence Surgery Center
Independence, MO

32nd Street Surgery Center
Joplin, MO

Briarcliff Surgery Center
Kansas City, MO

Liberty Surgical Center
Liberty, MO

Olive Surgery Center
St. Louis, MO

Mid Rivers Surgery Center
St. Peters, MO

Sunset Hills Surgery Center
Sunset Hills, MO

Mason Ridge Surgery Center
Town & Country, MO

Webster Surgery Center
Webster Groves, MO

West Plains Surgery Center
West Plains, MO

Nebraska

Advanced Surgery Center
Omaha, NE

Miracle Hills Surgery Center
Omaha, NE

Outpatient Surgical Specialties Center
Omaha, NE

Nevada

Mesquite Surgery Center
Mesquite, NV

Sierra Vista Surgery Center
Reno, NV

Ohio

SurgCenter Cleveland
Beachwood, OH

SurgCenter Hudson
Hudson, Ohio

White Fence Surgical Suites
New Albany, OH

Oregon

Columbia River Surgery Center
Portland, OR

Cornell Surgery Center
Portland, OR

Mt. Scott Surgery Center
Portland, OR

Pennsylvania

Street Road Surgery Center
Philadelphia, PA

South Hills Surgery Center
Pittsburgh, PA

Texas

SurgCenter of Southwest Houston
Houston, TX

Paris Surgery Center
Paris, TX

Stone Oak Surgery Center
San Antonio, TX

SurgCenter of Westover Hills
San Antonio, TX

Creekside Surgery Center
The Woodlands, TX

Utah

Cottonwood Surgery Center
Salt Lake City, UT



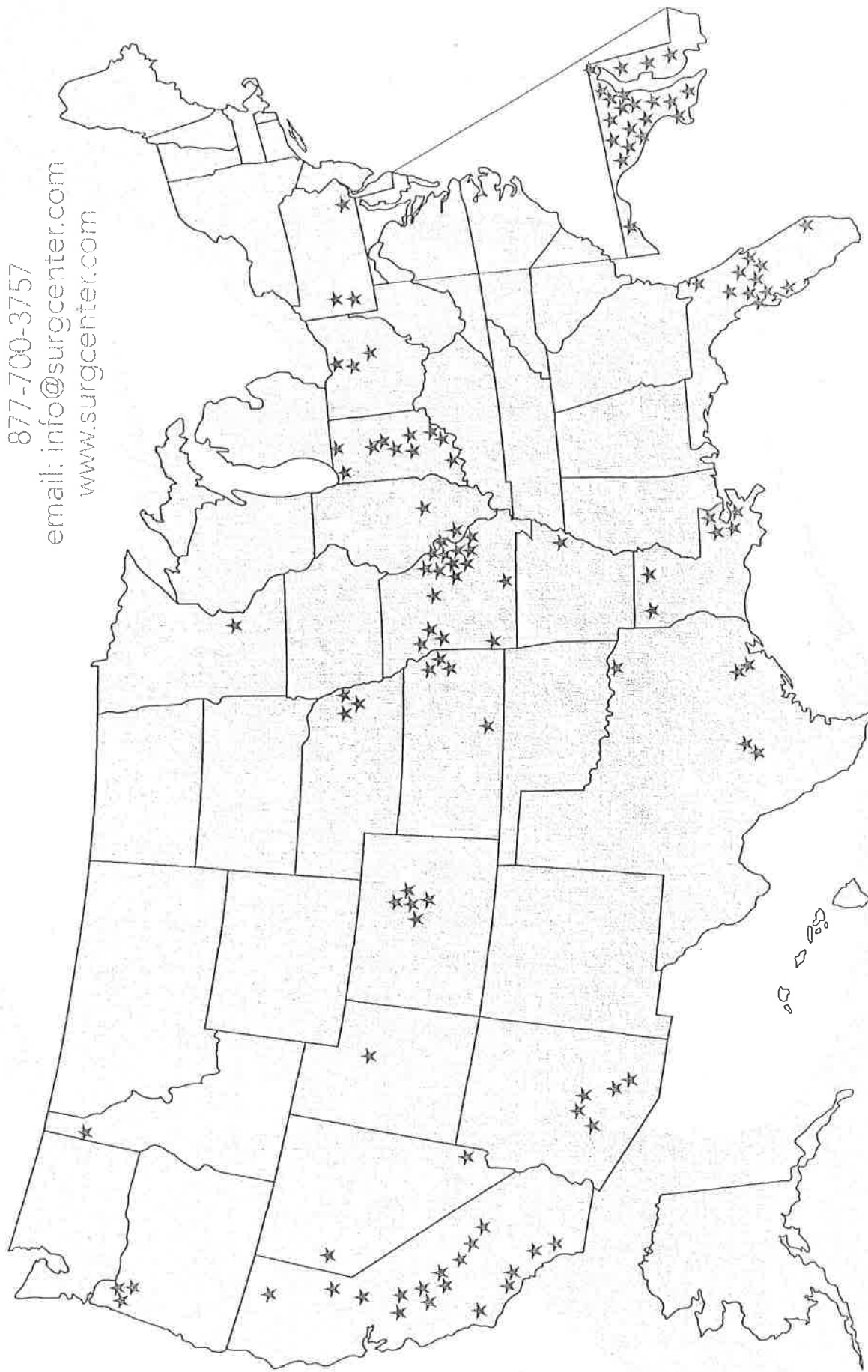
Development Projects

SurgCenter Development, Inc.

877-700-3757

email: info@surgcenter.com

www.surgcenter.com



Attachment 2

Surgical Center Development #3, LLC

6:26 AM

Balance Sheet

01/15/2013

As of December 31, 2012

Cash Basis

Dec 31, 12**ASSETS****Current Assets****Checking/Savings**

BofA Private Bank Checking

1,718,336.69

Total Checking/Savings1,718,336.69**Other Current Assets**

Loan Receivable - Munster Speci

2,078,544.14

Total Other Current Assets2,078,544.14**Total Current Assets**

3,796,880.83

Other Assets

Adjustment to Investments

1,231,919.53

Dr. Brooks Innovations

52,585.00

Note Receivable from Partners

2,781,860.00

SURGERY CENTERS

2,903,483.00**Total Other Assets**6,969,847.53**TOTAL ASSETS**10,766,728.36**LIABILITIES & EQUITY****Liabilities****Current Liabilities****Other Current Liabilities**

Due from SCD, Inc

200.00

Funds Owed Members for Munster

2,201,397.14

Midwest Specialty Building Fund

1,025,000.00

PASS THRU TAXES

50,764.88

Total Other Current Liabilities3,277,362.02**Total Current Liabilities**3,277,362.02**Total Liabilities**

3,277,362.02

Equity

Members' Capital

-103,058,469.41

Net Income

110,547,835.75

Total Equity7,489,366.34**TOTAL LIABILITIES & EQUITY**10,766,728.36

Surgical Center Development #3, LLC

9:31 AM

Profit & Loss

01/25/2013

January through December 2012

Cash Basis

	<u>Jan - Dec 12</u>	<u>Jan - Dec 12</u>
Ordinary Income/Expense		
Income		
Interest Income	146,839.12	146,839.12
Investment Income	56,955,928.45	56,955,928.45
Other Inc (Other Income)	3,644.46	3,644.46
Reimbursed Expenses	61.41	61.41
Total Income	57,106,473.44	57,106,473.44
Expense		
Management Fee Expense	9,295,777.40	9,295,777.40
Misc Operating Expenses	291.11	291.11
Taxes	140.00	140.00
Total Expense	9,296,208.51	9,296,208.51
Net Ordinary Income	47,810,264.93	47,810,264.93
Other Income/Expense		
Other Income		
Capital Gain on Sales of Center	62,737,570.82	62,737,570.82
Total Other Income	62,737,570.82	62,737,570.82
Net Other Income	62,737,570.82	62,737,570.82
Net Income	110,547,835.75	110,547,835.75

Surgical Center Development #3, LLC
Profit & Loss
December 2012

6:27 AM
01/15/2013
Cash Basis

	Dec 12	Jan - Dec 12
Ordinary Income/Expense		
Income		
Interest Income	17,780.23	146,839.12
Investment Income		
32nd Street Income	65,042.35	398,017.03
Arapahoe Income	175,350.00	2,052,129.74
ASC Baton Rouge Income	46,052.63	409,692.99
Bel Air Income	53,846.15	1,106,257.18
Bethesda CC Income	235,011.99	2,876,993.00
Cherry Creek Income	137,928.32	173,733.21
Columbla River Income	66,037.74	115,566.04
Columbus Specialty Income	76,086.94	158,641.27
Cottonwood Income	52,710.84	512,064.27
Deer Pt Income	8,333.33	575,833.32
Effingham Income	739,132.00	3,079,244.00
Frontenac Income	100,377.68	1,430,415.84
Glen Burnie Income	165,835.41	2,621,927.46
Grogan's Mill Income	97,765.36	455,789.25
Hagerstown Income	103,494.62	1,580,213.10
Hampden Income	104,477.61	122,334.75
Hiawatha/Greewnay Income	17,587.89	43,372.53
ISSC Income	400,497.51	3,717,661.63
Kissing Camels Income	126,696.83	1,564,037.03
Leonardtown Income	77,531.65	619,932.90
Maple Lawn Income	76,923.07	1,185,447.05
Metro Specialty Income	183,249.48	4,398,053.59
Mt. Scott Income	71,428.57	1,535,714.27
Piccard Income	127,604.17	2,187,060.45
Pinellas Income	91,623.05	2,998,208.32
Pontchartrain Income	80,357.14	1,914,661.65
Red River Income	400,340.10	2,644,929.28
Riva Road Income	162,790.68	1,974,820.90
Rivervlew Income	67,961.14	88,349.48
SC Greenbelt Income	35,813.95	695,101.21
Sierra Vista Income	0.00	360,670.73
Silver Spring Income	9,562.84	18,971.44
South Hills Income	14,670.66	94,545.69
Southern Maryland Income	112,903.23	843,136.27
Stone Oak Income	98,000.00	814,999.99
SurgCenter Cleveland Income	36,363.64	234,949.51
Sycamore Springs Income	48,964.97	668,234.40

	Dec 12	Jan - Dec 12
Timonium Income	39,682.60	1,371,728.47
Webster Income	34,633.67	427,785.48
West Bank Income	199,059.93	2,369,059.93
West Portland Income	133,835.00	2,143,072.22
Western MD Income	30,172.41	555,322.64
Westminster Income	164,319.25	2,892,837.14
White Marsh Income	27,631.58	924,411.80
Total Investment Income	5,097,687.98	56,955,928.45
Other Inc (Other Income)	0.00	3,844.46
Reimbursed Expenses	0.00	61.41
Total Income	5,115,468.21	57,106,473.44
Expense		
Management Fee Expense	3,656,020.14	9,295,777.40
Misc Operating Expenses		
Bank Fee	100.01	141.11
Tax, Business (Taxes & Licenses)	0.00	150.00
Total Misc Operating Expenses	100.01	291.11
Taxes		
State Taxes	0.00	140.00
Total Taxes	0.00	140.00
Total Expense	3,656,120.15	9,296,208.51
Net Ordinary Income	1,459,348.06	47,810,264.93
Other Income/Expense		
Other Income		
Capital Gain on Sales of Center	62,401,402.00	62,737,570.82
Total Other Income	62,401,402.00	62,737,570.82
Net Other Income	62,401,402.00	62,737,570.82
Net Income	63,860,750.06	110,547,835.75

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. CN1204-019A is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Southern Sports Surgical, LLC
570 Hartsville Pike
Gallatin, TN 37066

For: Southern Sports Surgery Center

This Certificate is issued for: Relocation of an approved but unimplemented certificate of need for the establishment of an ambulatory surgical treatment center (ASTC) and expansion of the designated use of its previously approved single-specialty ASTC (CN1104-013A) to multi-specialty services. The proposed project will relocate from 1163 Nashville Pike, Gallatin (Sumner County), TN 37066. The center will contain approximately 6,200 square feet of space including two (2) operating rooms, one (1) procedure room, pre/post holding area and support space.

CONDITION: Limited to a multi-specialty ASTC with two (2) operating rooms, and one (1) procedure room. Certificate of Need CN1104-013A is to be surrendered.

On the premises located at: Lot 38 - Indian Lake Village
127 Saundersville Road, Suite A
Hendersonville (Sumner County), TN 37075

For an estimated project cost of: \$3,355,533.00

The Expiration Date for this Certificate of Need is

November 1, 2014

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: September 26, 2012


Chairman

Date Issued: October 24, 2012


Executive Director

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1104-013A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Southern Sports Surgical, LLC
570 Hartsville Pike
Gallatin, TN 37066

For: Southern Sports Medicine Surgery Center (SSMSC)

This Certificate is issued for: The establishment of a single specialty orthopedic ambulatory surgical treatment center (ASTC). The center will contain approximately 6,200 square feet of space and will include two (2) operating rooms, one (1) procedure room, a pre/post holding area and support space.

On the premises located at: 1163 Nashville Pike
Gallatin (Sumner County), TN 37066


For an estimated project cost of: \$3,296,400.00

The Expiration Date for this Certificate of Need is

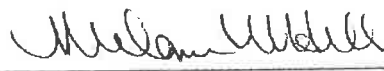
October 1, 2013

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: August 24, 2011


Chairman

Date Issued: September 28, 2011


Executive Director